

FISCAL NOTE

SB 592 - HB 1595

February 12, 2005

SUMMARY OF BILL: Reduces the state sales tax on food from six percent to three percent, effective January 1, 2006.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$105,000,000 FY06
\$210,000,000 FY07**

**Decrease Local Govt. Revenues - \$4,500,000 FY06
\$8,900,000 FY07**

Assumptions:

- Taxable sales of food and food ingredients in Tennessee are estimated at approximately \$7.0 billion per year.
- Annual state sales tax revenue on food is estimated at \$420.0 million at the current state tax rate of 6%.
- Reducing the sales tax rate on food by 50% reduces state revenues approximately \$210.0 million annually.
- With a January 1, 2006 effective date, there would be an estimated decreases in state revenues of approximately \$105.0 million for FY05-06 and \$210.0 million in FY06-07 and thereafter.
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$105.0 million for FY05-06 reduces local government revenues for the same fiscal year by \$4,458,500 (\$105.0 million X 4.2462% = \$4,458,500) from reduced allocation of state sales taxes to local governments.
- Reducing state sales tax revenue by \$210.0 million for FY06-07 reduces local government revenues for the same fiscal year by \$8,917,020 (\$210.0 million X 4.2462% = \$8,917,020) from reduced allocation of state sales taxes to local governments.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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